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Estimates of take-up of the Best Start tax credit

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Disclaimer

These results are not official statistics. They have been created for research purposes from the Integrated Data Infrastructure (IDI) which is carefully managed by Stats NZ. For more information about the IDI please visit https://www.stats.govt.nz/integrated-data/.

The results are based in part on tax data supplied by Inland Revenue to Stats NZ under the Tax Administration Act 1994 for statistical purposes. Any discussion of data limitations or weaknesses is in the context of using the IDI for statistical purposes, and is not related to the data's ability to support Inland Revenue's core operational requirements.

The views, opinions, findings, and recommendations expressed in this report are those of the authors. They do not necessarily reflect the views of MSD, or people involved in the peer review process. Any errors or omissions are our own.

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Key findings

This study uses linked data held in Stats NZ's Integrated Data Infrastructure to **estimate eligibility for and take-up of the Best Start tax credit**. Best Start was introduced in July 2018 and consists of a payment of $65 per child per week to the primary caregiver for up to three years from the child's birth.

It is available regardless of income for the first year of a child's life in weeks when paid parental leave was not received, and then available to low- and middle-income families on an income-tested basis until the child turns three. Because the payment is not income-tested in the first year, it is available to all families with infants who meet residence requirements.

We estimate eligibility and take-up rates for children born in the first 15 months of Best Start – between July 2018 and December 2019. Based on our results:

- **an estimated 96.5 percent of these children had a family that was eligible for Best Start**

- families of approximately 2,600 children born during the study period were estimated to be ineligible on residence grounds – this represents 3.5 percent of an estimated 72,800 children who were born during the period and who stayed in the country for most of their first year of life

- **Best Start was taken up for an estimated 96.9 percent of the children in eligible families**

- the estimated take-up rate was 99 percent for children in eligible families who were supported by a main benefit, 97 percent for children in eligible families who received paid parental leave (and no benefit), and 94 percent for children in other eligible families

- there was only a small difference in estimated take-up rates across different deprivation areas (NZDep quintiles), ranging from 96 percent to 97 percent

- take-up was slightly lower than average for children with a parent or caregiver who had migrated from China or had refugee status, and for children of Middle Eastern, Latin American or African (MELAA) ethnicity.

Take-up rate estimates from this study are high relative to those for social payments in other countries, and are higher than the rates we estimate for other Working for Families Tax Credits.

The high take-up may be due to the near-universal nature of the payment and the ease of the application process. Parents were invited to apply for Best Start when they registered their child's birth through the 'SmartStart' online tool. There is evidence that take-up of Best Start resulted in a lift in the take-up of other Working for Families tax credits.

Introduction

Background

Understanding trends in eligibility for and take-up of different income support payments is an important input into policy development and service delivery. If take-up of income support is low, for example, efforts to use income support payments to reduce child poverty and hardship and promote parent's employment may be less effective (WEAG, 2018; Momsen, 2019). Since poverty, hardship and employment affect wellbeing, low take-up can undermine broader outcomes too (WEAG, 2018). On that basis, one of the recommendations of the Welfare Expert Advisory Group (WEAG) was annual reporting on take-up rates for income support payments, amongst other measures (WEAG, 2019, recommendation 5).

As part of MSD's work to monitor and evaluate the 2018 Families Package and subsequent income support reforms, we are seeking to build evidence on eligibility for and take-up of different payments in the Aotearoa New Zealand income support system.

Study aims

The purpose of this study is to estimate eligibility and take-up rates for the Best Start tax credit payment. This was a new Working for Families (WFF) tax credit introduced in July 2018 as part of the Families Package.[1] Children born or due to be born from 1 July 2018 could qualify for the payment.

The study addresses the following questions:

- What proportion of families are eligible to receive Best Start?

- What proportion of families who are eligible for Best Start actually receive it?

- How do eligibility and take-up rates differ for families with different characteristics?

Scope

We look at births in New Zealand (NZ) in the first fifteen months after the introduction of Best Start, from July 2018 to September 2019. Families receiving Paid Parental Leave are only eligible for Best Start once their Paid Parental Leave entitlement is exhausted. Between July 2018 to September 2019, families could qualify for up to 22 weeks of Paid Parental Leave. All families with a birth registered during this period who met residence requirements should therefore have been eligible for Best Start by March 2020, within six months of the birth.[2]

In a separate study we estimate take-up of the main WFF tax credits – Family Tax Credit and In-Work Tax Credit – over the period 2007 - 2020 (McLeod & Wilson, 2022). That study is much more complex than this one, as eligibility for these payments is dependent on family structure and family incomes. It uses sample survey data combined with various administrative datasets to estimate eligibility against the different requirements that applied over the period. Our estimation for Best Start follows a simpler approach, as eligibility is almost universal in the first year of a child's life, and family structure and family incomes are less important.

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[1] For more on Best Start and receipt of the payment, see Graham & Arnesen (2022), Wilson & McLeod, 2021, and Wilson & McLeod, forthcoming.
[2] Because the maximum period of Paid Parental Leave was 22 weeks (approximately 5 months) throughout this period, a child born in September 2019 would have been eligible for Best Start before the end of the tax year ending March 2020.

Estimation approach

Steps and data sources

Our estimation approach is based on linked administrative data held in the Stats NZ Integrated Data Infrastructure (IDI) (Milne et al., 2019) and proceeds as follows.

1. We **take the population of babies born in NZ between 1 July 2018 and 30 September 2019** from birth registration data in the IDI. The unit of analysis is the child. Each birth is considered as the basis for a separate potentially eligible family. The same parent may be identified in multiple births during the study period.

2. We **identify all potential parents or caregivers of the child.** This includes any person recorded as a parent in the birth certificate, the birth mother identified from maternity data, a parent identified in the Inland Revenue (IR) tax credit data, and any caregiver identified in benefit data. In some cases, only one parent is identified via the birth certificate. In other cases, several parents and caregivers may be identified in different data sources. This could result from adoptions, whāngai arrangements, surrogacy, or changes in parental relationship status. It could also occur where parental records are incorrectly matched between different IDI data sources.

3. We **exclude children who do not match to the IDI spine.** We also exclude children who died within the first three months of life, or who were overseas for more than three months of their first year of life.

4. To be eligible for Best Start a caregiver must be a NZ resident and have been in NZ continuously for at least 12 months at any time while a NZ resident, or the child being claimed for must be a NZ resident and present in NZ.[3] We apply rules that proxy these requirements using a combination of birth registration data, Census data, visa approvals data from the Ministry of Business, Innovation and Employment (MBIE), and data from the NZ Customs Service. We **estimate a family to be eligible** if:

   - the child or at least one of the child's parents is observed to have been in NZ for 12 months at some time or where there is no evidence of travel to or from NZ, and

   - at least one parent was either:

     - recorded as having travelled on an NZ or Australian passport, or

     - recorded as having been granted an NZ residence visa, or

     - born in NZ, Australia, Cook Islands, Niue or Tokelau according to Census or NZ birth records.

5. If any parent is observed to have received a WFF tax credit (including Best Start) during a tax year, then they are also assumed to have been eligible for Best Start. This is on the basis that IR and MSD have better information available to them to assess entitlements than we have with the data available in the IDI.

6. A family is treated as having taken up the Best Start payment in respect of the child if any parent or caregiver identified in Step 2 is recorded as having received a

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[3] From 2020, parents and children who would otherwise be ineligible for WFF on residence grounds are eligible if they have been granted an Emergency Benefit on the grounds of hardship.

Best Start payment for that child in the MSD benefit data or is recorded as having received a Best Start payment for any child in the IR tax credit data[4] in the tax years ending March 2019, 2020, or 2021.

Key measures

Two key measures are then estimated for the cohort of births as follows:

Eligibility rate: $\dfrac{\text{Number with families estimated to be eligible for Best Start}}{\text{Number of births registered in NZ}} \times 100$

Take-up rate: $\dfrac{\text{Number with families estimated to have received Best Start}}{\text{Number with families estimated to be eligible for Best Start}} \times 100$

Those estimated to be eligible are those who, based on the calculations and assumptions set out above, have a family that appears to meet residence requirements.

We do not present confidence intervals for the estimated eligibility and take-up rates as our estimates are based on full enumerations of the population of registered births and Best Start payment recipients in NZ and are not subject to sampling error. We have no way of quantifying other potential sources of error in our estimation, however the estimated rates are subject to certain limitations as discussed below in the 'Strengths and limitations' section below.

Sub-group analysis

We report on take-up and eligibility rates for sub-groups according to the characteristics of the child and their parents that are identifiable in the administrative data. This allows us to report on the ethnic group(s) of the child and the neighbourhood deprivation of the family (NZDep). We also break down families according to whether there is a parent receiving benefit or not and, for those not supported by benefit, whether a parent received Paid Parental Leave or not.

Given the key role residence criteria play in determining eligibility for Best Start, we also look at families according to the migrant status of the parents. Migrant status and categories, including whether a parent had been granted residence under the Refugee Quota category, are examined for parents and caregivers using migration data from 1997.[5] For those with migrant status, the main countries of origin are examined.

We are unable to report on some family characteristics which we are able to examine for the main WFF payments in McLeod and Wilson (2022). These include disability status of the parents or caregivers, number and ages of children in the family, and family income. This is because that study was based on survey data from the Household Labour Force Survey, whereas in our examination of Best Start we are restricted to information that can be derived from administrative data. Future work could explore additional family characteristics (eg. using other administrative data, or potentially from the 2018 Census).

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[4] Children are not consistently identifiable in the IR tax credit data. If we focused only on situations where we could be certain the parent received the payment for the child identified in our study population we would be likely to exclude many families who actually received Best Start. Given the time periods we are looking at, it's likely that in most cases of a parent receiving Best Start, it would be for the child identified in our study population.
[5] Data on visas issued before 1997 is not available in the IDI.

Population characteristics

In total, there were 74,293 registered births in NZ between 1 July 2018 and September 2019 according to IDI data. Once population exclusions are applied, the study population was 72,831.[6] Socio-demographic characteristics of the children and their families are presented in Table 1.

A little over a fifth of children were supported by benefit in the first three months of their lives. Over half were not supported by benefit, and had a caregiver who received Paid Parental Leave income (PPL in Table 1). Almost a quarter of children were not supported by benefit or Paid Parental Leave income.

More children were born in high deprivation areas than in low deprivation areas. Almost two-thirds of children were identified as being of European ethnicity, while three in ten were Māori, and more than one in five were Asian.

Table 1: Characteristics of children born in NZ between July 2018 and September 2019 and their families

Characteristic	Group	Number of births	Percent of births
Population sub-group	Supported by benefit	15,873	21.8
	Received PPL	39,357	54.0
	Didn't receive PPL or benefit	17,598	24.2
Area deprivation (NZDep)	Quintile 1 (low)	11,100	15.2
	Quintile 2	12,201	16.8
	Quintile 3	14,031	19.3
	Quintile 4	15,546	21.3
	Quintile 5 (high)	19,692	27.0
Child ethnic group(s)	Asian	15,216	20.9
	European	47,088	64.7
	Māori	20,892	28.7
	Pacific	11,154	15.3
	MELAA[7]	1,755	2.4
	Other	294	0.4
Migrant category of parent	Residence	22,686	31.1
	Work	5,100	7.0
	Other	1,365	1.9
Refugee background		495	0.7
Country of origin of parent	China	2,796	3.8
	Fiji	1,347	1.8
	India	4,485	6.2
	Philippines	1,623	2.2
	Samoa	1,860	2.6
	South Africa	1,644	2.3
	Tonga	1,254	1.7
	UK	4,077	5.6
Total		72,831	100.0

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[6] As noted, children were included in the study population if they lived to at least three months, lived in NZ at least nine months of their first year, and matched to the IDI spine, allowing a link to be established with other data sources.

[7] MELAA represents Middle Eastern, Latin American and African ethnic groups.

Over 20,000 births, or almost a third of all births, had at least one parent who was identified in the data as a permanent migrant, having been granted residence in NZ since 1997. A smaller number of children had at least one parent who was on a temporary work visa or another temporary visa (seven percent and two percent of children respectively). Children could be counted in more than one of these categories if their parents had different migration statuses. Fewer than one percent of children were identified as having a parent with a refugee background.

Table 1 shows the eight main source countries of parents of children who had a migrant parent. The most common countries of origin were India, the United Kingdom and China, with four to six percent of children born in NZ having at least one parent identified as being from each of these countries.

Eligibility rate estimates

Almost all families of children born between July 2018 and September 2019 are estimated to have been eligible for Best Start.

In the first year after a child's birth, Best Start is not income-tested, and most families with a birth registered in NZ are eligible to receive the payment. The only families excluded are those where both parents are on temporary visas and do not have permanent residence status in NZ. We estimate that 96.5 percent of children born between July 2018 and September 2019 had a family that was eligible for Best Start.

Figure 1: Estimated percentage eligible by family and neighbourhood characteristics, children born between July 2018 and September 2019
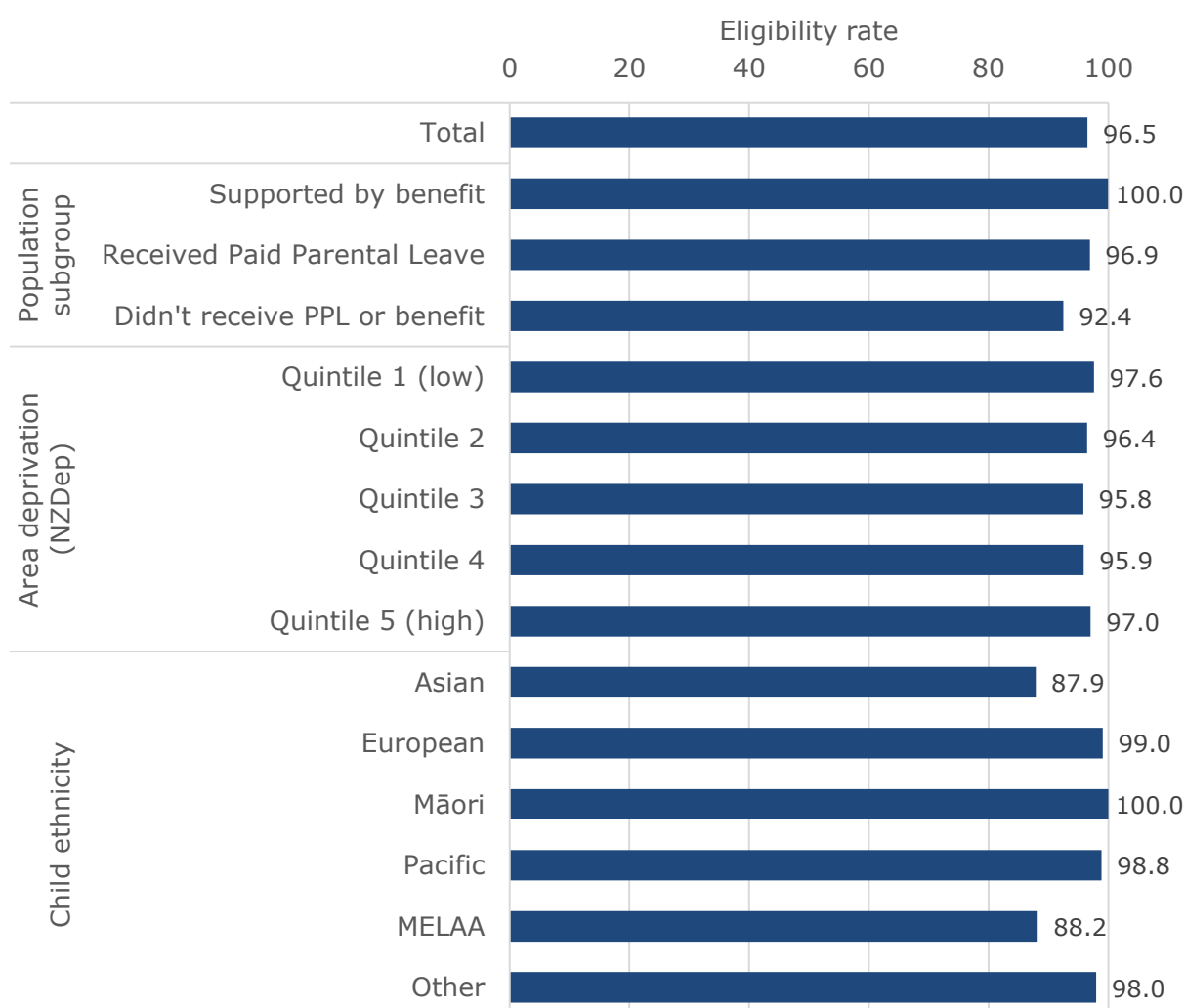
Differences in estimated eligibility rates across population sub-groups reflect differences in estimated residence status of parents.

Figure 1 shows the percentage with a family estimated to be eligible for Best Start by selected socio-demographic characteristics. All children with a family supported by benefit were estimated to be eligible, consistent with a residence requirement for both main benefits and Best Start, while children with a family who didn't receive either Paid Parental Leave or benefit had an estimated 92 percent eligibility rate. There was little difference in eligibility rates across area deprivation quintiles. Children from Asian or MELAA ethnic

groups had estimated eligibility rates of less than 90 percent, consistent with a higher proportion of parents being temporary migrants.

Figure 2 shows estimated eligibility rates for children with migrant parents, by the migration status and source country of the parents. All children with at least one parent with a residence visa, including the subset of families with a refugee parent, are estimated to be eligible for Best Start. Where at least one parent is on a temporary work visa this drops to a little over a half, indicating that around half of these children have both a temporary migrant parent and at least one parent who is resident or a NZ citizen.

Eligibility rates by country of origin provide an indication of the proportion of families from these backgrounds which have both parents on temporary visas, making them ineligible for Best Start. Around a fifth of children in families with at least one migrant parent from India or the Philippines were estimated to not be eligible for Best Start, while almost one in ten with a parent from China, Fiji or South Africa were estimated to not be eligible. These rates reflect the dominance of migrants from India and the Philippines on Essential Skills visas in the late 2010s (MBIE, 2018).[8] Over 95 percent of children with a migrant parent from the UK, Samoa or Tonga were estimated to be eligible for Best Start.

Figure 2: Estimated percentage eligible by parental migration status and characteristics, children born between July 2018 and September 2019


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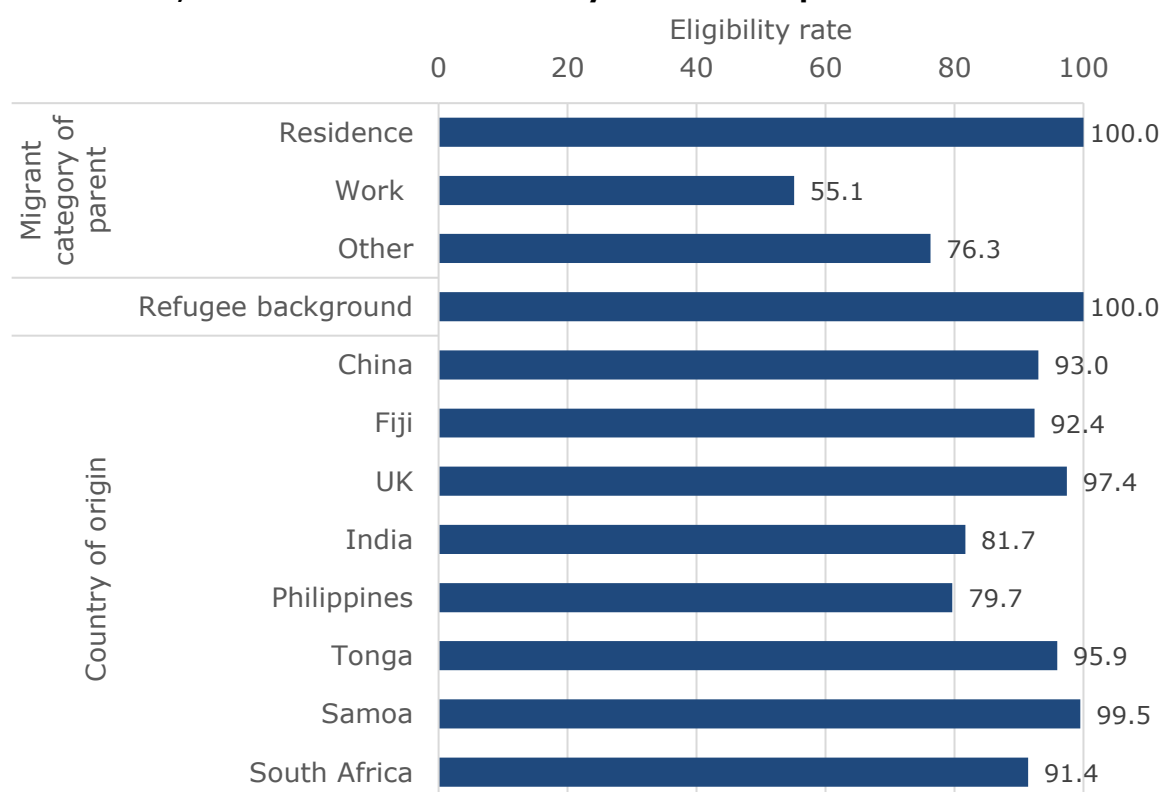
[8] While other source countries, such as the United Kingdom and Germany had more temporary migrant visas issued in these years, many were working holidaymakers, who only stayed in New Zealand for a short period, and were unlikely to have children while here.

Take-up rate estimates

We estimate a take-up rate of 96.9 percent in the first 15 months of Best Start for children in eligible families.

Of the 70,272 children in our study population whose families were estimated to be eligible to receive Best Start, we estimate that the families of 68,097 received the payment.

Figure 3: Estimated percentage receiving Best Start by family and neighbourhood characteristics, children born between July 2018 and September 2019 in eligible families
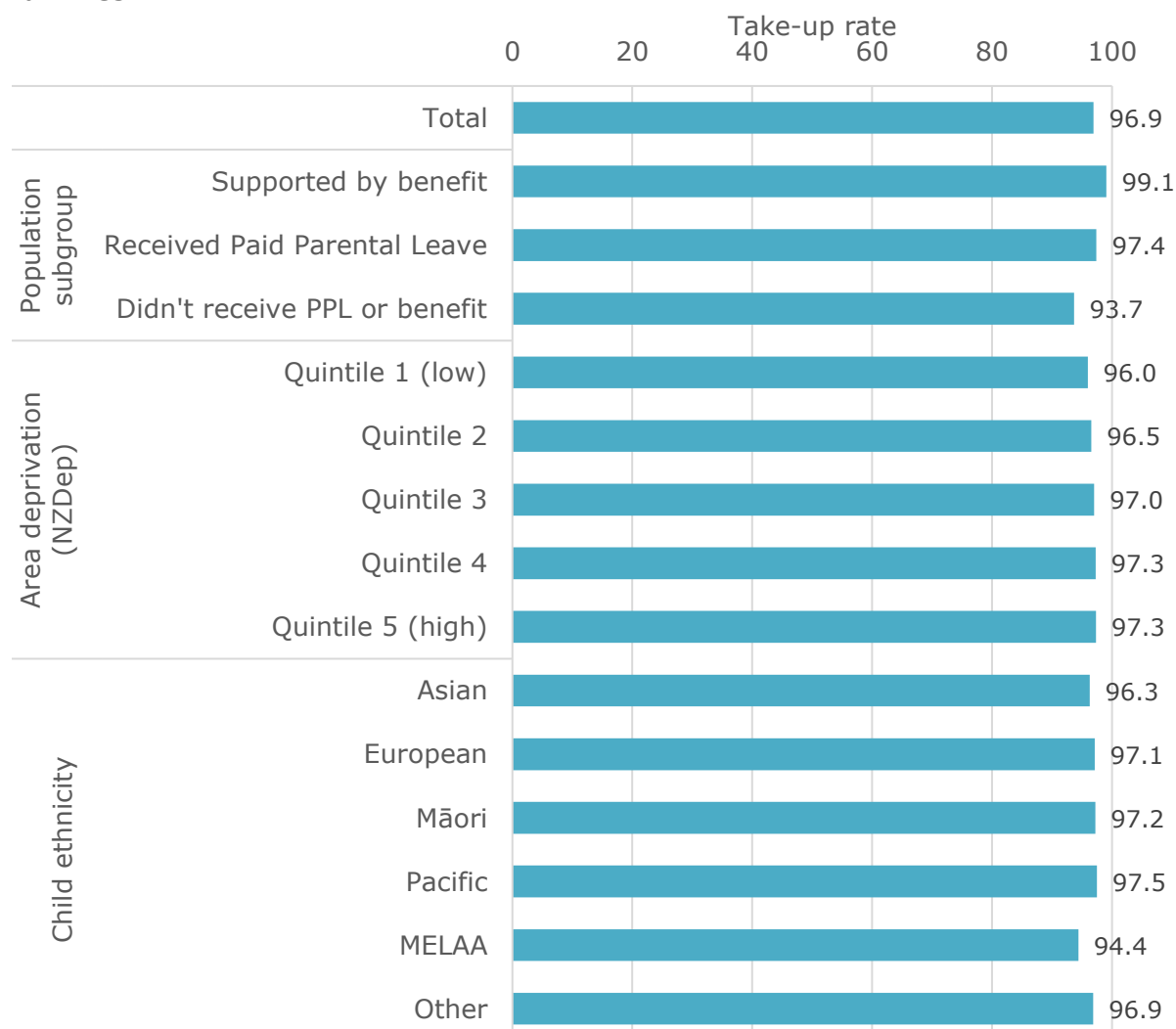

Take-up rates varied across other sub-groups, but all had take-up of over 90 percent.

There was some variation in take-up across children with different characteristics, but all groups had high take-up overall. Children in families who did not receive Paid Parental Leave or benefit had lower estimated take-up than other children, as did children with MELAA ethnicity (both around 94 percent). Both of these groups also had lower eligibility than average. All other groups had at least 96 percent estimated take-up, although there is some evidence of slightly lower take-up in lower deprivation areas, and lower take-up for Asian children.

There was also little variation in take-up according to the migration background of parents. Children with migrant parents only had slightly lower take-up than children overall, with the lowest rates for those with at least one temporary migrant parent. Children with parents with a refugee background had particularly low estimated take-up, at around 93 percent. Note this was from a small sample of fewer than 500 children.

Children with a Chinese migrant parent also had lower estimated take-up than children with migrant parents from other countries, at a little under 95 percent. Stats NZ are investigating the quality of data linkage in the IDI for people with Asian names and early results suggest higher than average linkage error rates for people with Chinese first names. This could impact on our estimates for children of Chinese migrants, but it is currently not possible to report on the extent of this impact.[9]

Figure 4: Estimated percentage receiving Best Start by parental migration status and characteristics, children born between July 2018 and September 2019 in eligible families
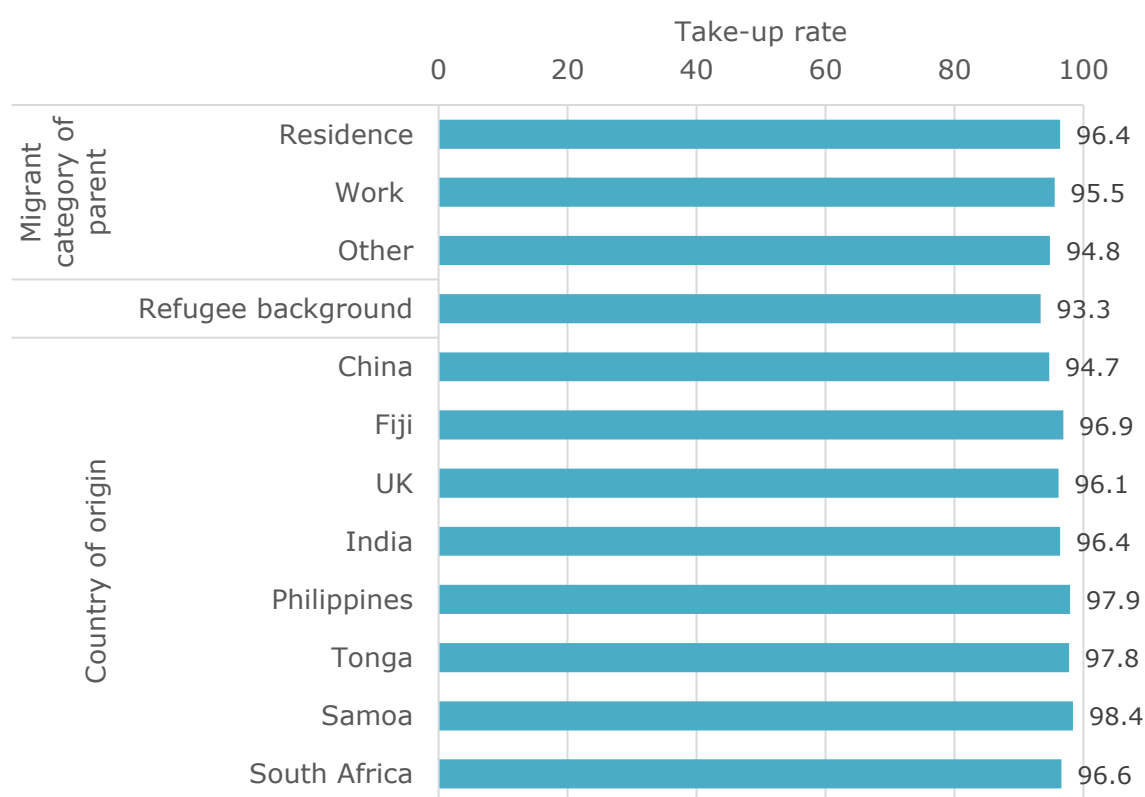
Take-up is high relative to estimates for other countries.

Ko and Mofftt (2022) provide a survey of estimates of take-up of social benefits around the world. Our estimate for Best Start tax is at the very high end of those surveyed. This was probably enabled by the near-universal nature of the payment and the 'SmartStart' online tool, which invites parents to apply for Best Start as they register the birth of their child. From other results (Wilson & McLeod, forthcoming; McLeod & Wilson 2022) it appears that take-up of Best Start increased take-up of the main WFF tax credits by families with very young children. This suggests that a portion of non-take-up of other WFF payments for families with older children can be addressed by system changes that more proactively invite and streamline initial applications and subsequent re-applications for those with potential eligibility.

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[9] Stats NZ Expert Data Users News - April 2022 email communication, received 8 April 2022.

Strengths and limitations

Linked administrative data is subject to several sources of error.

IDI data linking is generally probabilistic, meaning that some records may be incorrectly matched or not matched at all (Milne et al., 2019). The IDI data used in this study also included information collected or generated in the process of administering tax credits, birth registrations and benefits, and will also incorporate any errors that occur in those processes.

In addition, there are significant lags in the collection of WFF tax credit data. As a result, we have had to focus only on the first 15 months following the introduction of Best Start. If people claimed the payment as soon as it became available to them, all eligible families born in this period should have had an entitlement recorded in the tax year ending March 2020, however any delay would have resulted in the family making a claim in the following tax year. Data for the tax year ending March 2021 is not likely to have been entirely complete in the IDI at the time of this study, and families who make late claims may not have been identified as receiving the payment.

To look at the possible effect of missing data on our estimates, we look at take-up rates by quarter of birth (Table 2). Families with births early in our study period are more likely to have complete tax credit data in the IDI than those born later in the period. However there is no evidence of declining take-up later in the period. On the contrary, the highest levels of estimated take-up are for births in the second and third quarters of 2019. This provides some evidence that take up has actually increased gradually over time following the introduction of Best Start. However, further work would be required with updated data to confirm this conclusion.

Interestingly, eligibility for Best Start is estimated to have fallen from 97 percent to 96 percent over the first 15 months of the programme, indicating that increasing numbers of families with temporary migration status having children. This is consistent with strong year-on-year growth in temporary worker migration over the mid to late-2010s.[10]

Table 2: Number of births and estimated eligibility and take-up rates by quarter of birth, births between July 2018 and September 2019

Birth quarter	Number of births	Eligibility rate	Take-up rate
2018 July to September	14,526	97.0	97.0
2018 October to December	14,400	96.8	96.6
2019 January to March	14,640	96.6	96.4
2019 April to June	14,451	96.2	97.1
2019 July to September	14,814	96.0	97.4

Administrative data does not identify the family unit.

While we can identify parents and caregivers from various administrative data sources, it is not possible to identify which of these parents or caregivers are responsible for the day-to-day care of the child, nor which other people may be living in the child's family unit. Future work could look at inferring family structure from 2018 Census data, however this precedes the introduction of Best Start. It would be necessary to infer the main caregiver, and the data would not account for subsequent changes in family structure.

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[10] The number of temporary work visas approved annually increased from around 160,000 in 2013 to almost 250,000 in 2019 (see https://mbienz.shinyapps.io/migration_data_explorer/).

Whether families meet residency requirements is approximated from available data.

Our approximation is likely to have a degree of imprecision, in part due to the limited time period for which data on migration and movements is available.

Against these limitations, the analysis has a number of strengths.

For this study, the IDI provided a longitudinal data source unaffected by non-response bias, and with national coverage. This allowed a focus on narrowly defined cohorts of new-borns and their parents and caregivers, and sub-groups within these cohorts, in a way that would not be possible using survey data. The data is also not subject to many other sources of error inherent in survey data, such as non-response bias or recall error.

Next steps

We recommend repeating this analysis once a longer period has elapsed following the introduction of Best Start. This would allow take-up to be assessed once the payment is more well-established, allow trends to be monitored, and provide a larger population to assess differences in take-up between sub-groups. Further analysis could also examine differences in take-up by other family characteristics such as income or family type.

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